

**WEST DES MOINES WATER WORKS**

**INDEPENDENT AUDITOR'S REPORT**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL INFORMATION**  
**AUDITOR'S REPORT ON COMPLIANCE**  
**SCHEDULE OF FINDINGS**

**DECEMBER 31, 2004 and 2003**

# WEST DES MOINES WATER WORKS

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# WEST DES MOINES WATER WORKS

## OFFICIALS

December 31, 2004

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Paul L. Vanden Brink . . . . .	Trustee . . . . .	Aug 16, 2004
W. Kent Gaer . . . . .	Trustee . . . . .	Dec 31, 2005
James E. Wallace . . . . .	Trustee . . . . .	Dec 31, 2006
Ronald H. Degen . . . . .	Trustee . . . . .	Dec 31, 2008
William B. Spencer . . . . .	Trustee . . . . .	Dec 31, 2009
Philip J. Dorweiler . . . . .	Trustee . . . . .	Dec 31, 2010
Jerald W. Stevens . . . . .	General Manager/Secretary . . . . .	Indefinite
Lawrence R. Anderson . . . . .	General Manager/Secretary . . . . .	Sept 24, 2004
William H. Garrett . . . . .	Assistant General Manager . . . . .	Indefinite
John R. Luther . . . . .	Superintendent . . . . .	Indefinite
Paula R. Meyer . . . . .	Accountant/Treasurer . . . . .	Indefinite



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
West Des Moines Water Works

We have audited the accompanying financial statements, as listed in the table of contents of this report, of the West Des Moines Water Works, West Des Moines, Iowa, as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of West Des Moines Water Works' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of the West Des Moines Water Works, West Des Moines, Iowa, as of December 31, 2004 and 2003, and the results of its operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As described in Note 1 to the financial statements, for the year ended December 31, 2004, the West Des Moines Water Works adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No 37, *Basis Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Statement No 38, *Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2005 on our consideration of the West Des Moines Water Works' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 7 and page 30 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audits were performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The supplementary information included on pages 32 through 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the aforementioned financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the aforementioned financial statements taken as a whole.

The accompanying statistical section on page 38 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Martens & Company, CPA, P.C.*

West Des Moines, Iowa  
February 9, 2005

## **WEST DES MOINES WATER WORKS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2004

The management's discussion and analysis (MD&A) of West Des Moines Water Works' (Water Works) financial performance provides an overview of the Water Works' financial activities for the year ended December 31, 2004. Please consider this information in conjunction with the financial statements and the accompanying notes to the financial statements that follow this section.

#### **OVERVIEW OF BUSINESS**

The service area of the Water Works has expanded significantly since its governing Board of Trustees was established by election in 1950. The service area is the corporate limits of West Des Moines. The Water Works also provides billing and collection services on a contractual basis to the City of West Des Moines for sanitary sewer usage and solid waste collection.

As the Water Works' service area has expanded, so too has the need for water storage facilities, booster stations and additional treatment capacity to meet peak demand requirements. The most economical approach for the Water Works has involved requiring the land developers to install the water mains according to Water Works Specifications after which the Water Works accepts ownership of the water facilities.

The water sources for the Water Works are three wells drilled into the Jordan Aquifer and nineteen wells that draw water from the Raccoon River Alluvial Aquifer. In addition, some West Des Moines water is purchased from the Des Moines Water Works.

Governance of the Water Works is vested in a five-member Board appointed by the Mayor of West Des Moines with approval of the City Council. Trustees serve for six-year staggered terms. The Board has complete control of the Water Works' management, and employs 35 full-time and three part-time seasonal employees.

#### **FINANCIAL HIGHLIGHTS**

West Des Moines Water Works' net assets increased as a result of operations. At December 31, 2004, total assets were \$64,556,355 and total liabilities were \$24,566,839 resulting in net assets of \$39,989,516.

Operating revenues decreased 0.75% to \$7,999,711 while operating expenses decreased 0.05% to \$6,437,680.

During the year, the Water Works had an operating income of \$1,562,031 and an increase in net assets of \$802,989.

## OVERVIEW OF THE FINANCIAL STATEMENTS

MD&A serves as an introduction to the financial statements, and the MD&A represents management's examination and analysis of West Des Moines Water Works' liquidity and solvency. Liquidity is a measure of the Water Works' ability to meet current obligations (those due within one year). Solvency is a similar concept, but measures the ongoing ability to meet obligations over a longer term.

The statement of revenues, expenses, and changes in net assets presents the results of the Water Works' revenues and expenses over the course of the year and provides information about the Water Works' recovery of costs. Water rates and other charges are established by the Board of Trustees and are based on Water Works' cost analysis.

The statement of cash flows presents cash receipts, cash disbursements, and net changes in cash resulting from operations, capital and related financing activities, and investing activities. This statement details where cash resources come from and how they are used.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of data provided in the statements. The notes supplement the basic financial statements by presenting information about the Water Works' accounting policies, significant account balances and activities, material risks, obligations, and commitments.

## CONDENSED FINANCIAL INFORMATION

The following condensed financial information serves as the key financial data and indicators for management, monitoring, and planning.

### Condensed Balance Sheet Information

	2004	2003
Current assets	\$ 6,153,099	\$ 5,944,593
Restricted assets	6,946,539	6,880,926
Capital assets, net	51,227,465	50,500,092
Other assets	<u>229,252</u>	<u>243,407</u>
Total assets	<u>64,556,355</u>	<u>63,569,018</u>
Current liabilities	3,957,182	3,356,622
Long term liabilities	20,580,281	21,025,869
Other liabilities	<u>29,376</u>	<u>-</u>
Total liabilities	<u>24,566,839</u>	<u>24,382,491</u>
Invested in capital assets, net of related debt	29,551,497	28,298,521
Restricted	5,129,803	5,114,794
Unrestricted	<u>5,308,216</u>	<u>5,773,212</u>
Total net assets	<u>\$ 39,989,516</u>	<u>\$ 39,186,527</u>

### Condensed Revenues, Expenses, and Changes in Net Assets

	2004	2003
Water sales	\$ 6,266,142	\$ 6,593,442
Connection fees	814,945	589,884
Other sales and services	<u>918,624</u>	<u>876,961</u>
Total operating revenue	<u>7,999,711</u>	<u>8,060,287</u>
Salaries and benefits	2,246,905	1,985,023
Chemicals and power	571,468	650,264
Purchased water	502,991	529,353
Insurance	100,435	86,473
Maintenance and supplies	680,613	952,167
Depreciation	1,896,668	1,868,724
Other	<u>438,600</u>	<u>368,831</u>
Total operating expenses	<u>6,437,680</u>	<u>6,440,835</u>
Operating income	<u>1,562,031</u>	<u>1,619,452</u>
Interest income	132,424	110,824
Rental income	106,475	127,500
Interest expense	(1,190,724)	(1,155,465)
Other, net	<u>(151,411)</u>	<u>(26,684)</u>
Total non-operating revenues (expenses)	<u>(1,103,236)</u>	<u>(943,825)</u>
Income before contributions	458,795	675,627
Capital contributions	<u>344,194</u>	<u>240,425</u>
Change in net assets	<u>802,989</u>	<u>916,052</u>
Net assets, beginning of year	<u>39,186,527</u>	<u>38,270,475</u>
Net assets, end of year	<u><u>\$ 39,989,516</u></u>	<u><u>\$ 39,186,527</u></u>

### FINANCIAL ANALYSIS

The current assets increased 3.51% primarily due to the 1997 bond refunding in 2004.

Current liabilities increased 17.89% primarily due to construction payables in the amount of \$653,728 for water system improvements.

Long-term liabilities decreased 2.12% due to principal payments on debt service, and reclassification of 2005 scheduled payments to short term.

Water sales decreased 4.96% due to the cool, wet conditions in 2004 compared with 2003. This caused a decrease in irrigation water sold.



Connection fees increased 38.15% primarily due to \$183,440 in fees charged for the Southwest Area Connection Fee District as well as an increase in Water Supply Connection Fees billed. A record dollar amount of construction permits were issued by the City of West Des Moines in 2004.

Other sales and services increased 4.75% for a variety of reasons which included the following. Basic service charges increased by 2.79% or \$18,080, late and non-payment charges increased by 15.67% or \$12,190, and labor charges decreased by \$2,838 or 11.66%.

Chemicals and power expenses decreased 12.12% due to a reduction in the amount of water produced in 2004, and also due to a change from budget to actual billing for electricity and gas utilities.

Purchased water expense decreased 4.98% primarily due to a decrease in irrigation water sold in 2004.

Cost of corporate insurance increased 16.15% due to expected and budgeted insurance coverage increases in the insurance industry.

Maintenance and supplies expense decreased 28.52% as budgeted and expected. A large portion of this reduction was a decrease in lime residual removal costs of \$226,824. A project removing lime residuals from windrows that began in 2003 was nearly completed in 2004 with the majority of the expenses incurred in 2003.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

During 2004, net capital assets increased \$727,373 or 1.44%. In addition to replacing unlined cast iron water mains, the Water Works is engaged in a multi-year capital project to build a 2.5 million gallon water tower that is being shared with Clive and Waukee to be completed in 2005.

The Water Works issued 2004 Water Revenue Refunding Bonds in the amount of \$5,415,000 to advance refund the 1997 Water Revenue Bonds. The interest rates on the bonds were reduced from 4.9% - 5.25% to 2.0% - 3.9% with a \$229,140 savings over the life of the bonds. The insured investment rating by Moody's Investors Service remains at Aaa, with an underlying investment rating of A1.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

West Des Moines Water Works does not receive any federal, state or city funding, therefore the slowing of the national economy and state funding cuts have not had an impact on operations. The Board of Trustees approved a conservative operating budget increase for 2005 with revenues projected to decrease by 2.3% and expenses projected to increase by 3.4%. Water Works was pleased to be able to maintain the current water rates of \$3.05 per 1,000 gallons. These rates have not been raised since 1998.

## **REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of West Des Moines Works' finances. If you have any questions or require additional information, please contact the General Manager at 4200 Mills Civic Parkway, Suite 1D, or by mail to the West Des Moines Water Works, PO Box 65610, West Des Moines, IA 50265-0610.

# WEST DES MOINES WATER WORK

## STATEMENTS OF NET ASSETS

December 31, 2004 and 2003

	ASSETS		LIABILITIES AND FUND EQUITY	
	2004	2003	2004	2003
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>	
Cash	\$ 3,686,764	\$ 5,260,072	Due other governments	\$ -
Investments	1,361,520	41,698	Accounts payable	867,891
Accounts receivable	592,266	525,804	Accrued payroll	59,525
Inventory	59,305	46,629	Accrued vacation	82,108
Unexpired insurance	54,112	46,323	Accrued sales tax	32,787
Deposits	-	1,025	Bond premium	2,448
Unamortized bond discount	9,206	13,703	Current portion of long-term debt	1,095,687
Unamortized bond issue costs	14,300	9,339		<u>2,140,446</u>
Deferred amount on bond refunding	356,783	-		
Accrued interest receivable	18,843	-	Payable from restricted assets:	
	<u>6,153,099</u>	<u>5,944,593</u>	Customer deposits	201,667
			Accrued interest payable	52,562
<b>RESTRICTED ASSETS</b>			Payable to City of West Des Moines	1,562,507
Cash	594,926	1,807,103		<u>1,816,736</u>
Investments	4,908,691	3,800,694		
Accounts receivable for City of WDM	552,921	383,410	Total current liabilities	<u>3,957,182</u>
Deposit - water revenue bond fund	890,001	889,719		
	<u>6,946,539</u>	<u>6,880,926</u>	<b>LONG-TERM LIABILITIES</b>	
			Revenue Bonds - net of current portion	<u>20,580,281</u>
Total current assets	<u>13,099,638</u>	<u>12,825,519</u>	Total long-term liabilities	<u>20,580,281</u>
<b>CAPITAL ASSETS</b>			<b>OTHER LIABILITIES</b>	
Land	592,548	587,548	Bond premium	<u>29,376</u>
Buildings and structures	15,799,123	15,742,740	Total other liabilities	<u>29,376</u>
Machinery and equipment	8,129,466	7,780,272		
Mains and hydrants - constructed by Water Works	16,525,611	16,535,985	Total liabilities	<u>24,566,839</u>
Mains and hydrants - contributed by developers	13,982,080	13,871,605		
Wells	4,748,318	4,748,318		
Meters	2,340,253	2,182,669	<b>NET ASSETS</b>	
Treatment plant capacity - Des Moines Water Works	6,819,125	6,819,125	Invested in capital assets, net of related debt	29,551,497
Construction in progress	2,142,398	196,997	Restricted for debt service	2,617,884
	71,078,922	68,465,259	Restricted for capital improvements	2,511,919
Less accumulated depreciation	<u>(19,851,457)</u>	<u>(17,965,167)</u>	Unrestricted	<u>5,308,216</u>
			Total net assets	<u>39,989,516</u>
Net capital assets	<u>51,227,465</u>	<u>50,500,092</u>		
<b>OTHER ASSETS</b>				
Unamortized bond discount	85,433	148,225		
Unamortized bond issue costs	<u>143,819</u>	<u>95,182</u>		
Total other assets	<u>229,252</u>	<u>243,407</u>		
Total Assets	<u>\$ 64,556,355</u>	<u>\$ 63,569,018</u>	Total Liabilities and Net Assets	<u>\$ 64,556,355</u>
				<u>\$ 63,569,018</u>

See notes to financial statements.

# WEST DES MOINES WATER WORKS

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUES</b>		
Sale of water	\$ 6,266,142	\$ 6,593,442
Basic service charge	666,539	648,459
Connection fees	814,945	589,884
Construction inspection fees	7,878	5,734
Labor charges	21,500	24,338
Sanitary sewer service collection fees	41,590	40,475
Solid waste service collection fees	39,991	39,319
Late and non-payment charges	89,976	77,786
Sale of materials	34,805	30,126
Laboratory testing fees	1,880	1,310
Miscellaneous	14,465	9,414
Total operating revenues	<u>7,999,711</u>	<u>8,060,287</u>
<b>OPERATING EXPENSES</b>		
Water treatment plant operation and maintenance		
Salaries	532,211	489,215
Retirement and employee benefits	145,191	135,755
Utilities	295,784	362,173
Chemicals	210,183	218,479
Purchased water	502,991	529,353
Maintenance	219,846	206,232
Lime residuals removal	121,556	348,380
Insurance	49,312	43,135
Supplies	15,328	15,297
Communications	13,587	12,997
Water quality testing fees	5,195	2,521
Miscellaneous	6,223	4,291
Operation permit	5,877	6,548
Safety consulting fees	1,490	2,675
Depreciation	954,358	952,423
Data processing	13,004	14,137
	<u>3,092,136</u>	<u>3,343,611</u>
Water distribution system operation and maintenance		
Salaries	533,389	486,592
Retirement and employee benefits	149,955	135,701
Maintenance	220,820	193,401
Utilities	60,215	64,252
Insurance	30,733	26,072
Supplies	13,914	15,228
Miscellaneous	687	2,130

See notes to financial statements.

# WEST DES MOINES WATER WORKS

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - CONTINUED

Years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
OPERATING EXPENSES - CONTINUED		
Water distribution system operation and maintenance - continued		
Iowa One Call	\$ 5,048	\$ 4,044
Communications	5,177	5,882
Depreciation	829,139	804,577
Data processing	<u>17,602</u>	<u>15,896</u>
	<u>1,866,679</u>	<u>1,753,775</u>
Accounting and customer service		
Salaries	490,009	413,176
Retirement and employee benefits	122,694	101,847
Postage	80,636	86,293
Printing	58,696	75,382
Insurance	20,390	17,266
Supplies	14,042	16,582
Communications	5,961	5,723
Maintenance	14,625	18,023
Bad debts	3,722	3,143
Lock box charges	40,742	40,890
Miscellaneous	3,275	1,112
Utilities	5,286	5,360
Depreciation	113,171	111,724
Cost of materials sold	27,968	22,592
Data processing	<u>29,465</u>	<u>108,421</u>
	<u>1,030,682</u>	<u>1,027,534</u>
Administration		
Salaries	217,871	163,843
Retirement and employee benefits	55,585	58,894
Professional and consulting fees	146,567	75,085
Legal publications	13,200	9,809
Dues and memberships	9,891	5,975
Communication	1,215	934
Maintenance	411	570
Miscellaneous	<u>3,443</u>	<u>805</u>
	<u>448,183</u>	<u>315,915</u>
Total operating expenses	<u>6,437,680</u>	<u>6,440,835</u>
Operating income	1,562,031	1,619,452

See notes to financial statements.

# WEST DES MOINES WATER WORKS

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - CONTINUED

Years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
NON-OPERATING REVENUES		
Interest	\$ 132,424	\$ 110,824
Bond premium	204	-
Rental	<u>106,475</u>	<u>127,500</u>
Total non-operating revenues	239,103	238,324
NON-OPERATING EXPENSES		
Interest	1,190,724	1,155,465
Bond discount	87,804	13,703
Bond issue costs	61,451	9,339
Loss on sale of fixed assets	<u>2,360</u>	<u>3,642</u>
Total non-operating expenses	<u>1,342,339</u>	<u>1,182,149</u>
Income before contributions	458,795	675,627
CAPITAL CONTRIBUTIONS	<u>344,194</u>	<u>240,425</u>
CHANGE IN NET ASSETS	802,989	916,052
NET ASSETS AT BEGINNING OF YEAR	<u>39,186,527</u>	<u>38,270,475</u>
NET ASSETS AT END OF YEAR	<u>\$ 39,989,516</u>	<u>\$ 39,186,527</u>

See notes to financial statements.

# WEST DES MOINES WATER WORKS

## STATEMENTS OF CASH FLOWS

Years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 7,752,087	\$ 7,917,279
Cash payments for goods and services	(2,716,938)	(2,988,584)
Cash payments to employees	<u>(1,782,024)</u>	<u>(1,566,884)</u>
Net cash provided by operating activities	<u>3,253,125</u>	<u>3,361,811</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(1,645,383)	(1,197,534)
Proceeds from City Hall agreement		60,681
Payment to City Hall agreement	(166,761)	(150,000)
Proceeds from issuance and refunding of revenue bonds	5,650,099	-
Principal paid on revenue bonds	(6,008,941)	(962,742)
Bond discount and bond issuance fees	(135,563)	-
Bond premium	32,028	-
Water revenue bond fund deposit	(282)	(750)
Deferred interest on bond refunding	(356,783)	-
Interest paid	<u>(1,199,261)</u>	<u>(1,155,465)</u>
Net cash used by capital and financing activities	<u>(3,830,847)</u>	<u>(3,405,810)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest earned on investments	113,581	110,824
Rental income	<u>106,475</u>	<u>127,500</u>
Net cash provided by investing activities	<u>220,056</u>	<u>238,324</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(357,666)</b>	<b>194,325</b>
<b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>	<b><u>10,909,567</u></b>	<b><u>10,715,242</u></b>
<b>CASH AND CASH EQUIVALENTS END OF YEAR</b>	<b><u>\$ 10,551,901</u></b>	<b><u>\$ 10,909,567</u></b>

# WEST DES MOINES WATER WORKS

## STATEMENTS OF CASH FLOWS - CONTINUED

Years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 1,562,031	\$ 1,619,452
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,896,668	1,868,724
Decrease (increase) in assets:		
Accounts receivable	(234,947)	(168,767)
Inventory	(12,676)	25,759
Unexpired insurance	(7,789)	(6,174)
Increase (decrease) in liabilities:		
Customer deposits	6,679	8,818
Accounts payable	21,064	(1,612)
Accrued payroll	15,685	3,319
Accrued vacation	(7,142)	10,739
Accrued sales tax	<u>13,552</u>	<u>1,553</u>
Total adjustments	<u>1,691,094</u>	<u>1,742,359</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,253,125</u>	<u>\$ 3,361,811</u>
Schedule of noncash capital and related financing - Contributions of water mains from contractors for construction, and equipment contributions.	\$ 344,194	\$ 240,425

See notes to financial statements.

## **WEST DES MOINES WATER WORKS**

### **NOTES TO FINANCIAL STATEMENTS**

Years ended December 31, 2004 and 2003

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Reporting Entity**

The West Des Moines Water Works was established by the City of West Des Moines, Iowa to supply water to the City and its inhabitants. Since November 7, 1950, the Water Works has been under the management and control of a Board of Trustees and the accounts of the Water Works are maintained separately from those of the City of West Des Moines, Iowa. The Code of Iowa, Chapter 388, states that the Board of Trustees has the oversight responsibility for the management and control of the Water Works.

##### **B. Fund Accounting**

The accounts of the Water Works are organized on the basis of funds or groups of accounts. Each fund or group of accounts is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of accounts for cash and investment balances, receipts and disbursements. A description of each of the existing funds is set forth as follows:

###### **Water Revenue Fund**

The Water Revenue Fund is the general operating fund of the Water Works. This fund is used to account for the utility services which are financed and operated primarily from user charges to the general public.

###### **Bond Retirement Fund**

The Bond Retirement Fund is used to provide and account for principal and interest payments on the water revenue bonds issued.

###### **Trust Fund**

The Trust Fund has been established to account for deposits received from customers.

##### **C. Cash**

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid with maturities of three months or less are considered to be cash equivalents.

##### **D. Investments**

The cash balances of the Water Works are pooled and invested. Investments are stated at cost, which approximates market value. Interest is recorded in the fund owning the investment and transferred to the Water Revenue Fund. In order to obtain a high rate of return, some investments are pooled.



## **WEST DES MOINES WATER WORKS**

### **NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2004 and 2003

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

E. Accounts Receivable

Accounts receivable and revenues are recorded at the time that service is billed. Unbilled revenues for service consumed between periodic scheduled billing dates are not considered to have a material effect on the financial statements.

F. Inventories

Proprietary fund type inventories of materials and supplies are valued at the lower of cost (average cost) or market.

G. Property, Plant and Equipment

Property, plant and equipment are stated at cost or at the value of the contributions to the Water Works for mains and hydrants by developers. Depreciation is computed on the straight-line basis over estimated useful lives of five to fifty years.

Expenditures for maintenance, repairs and minor replacements are charged to operations. Expenditures for major repairs and betterments are capitalized.

The cost and related accumulated depreciation on property, plant and equipment sold or retired are eliminated from the accounts at the time of sale or retirement and the resulting gain or loss is reflected in operations.

H. Budget

In accordance with the Code of Iowa, the Water Works adopted a budget based upon anticipated expenditures by line item for operations. The budget was prepared on an accrual basis which is consistent with generally accepted accounting principles.

I. Sanitary Sewer and Solid Waste Service

The West Des Moines Water Works bills and collects sanitary sewer service charges and solid waste charges in accordance with the city ordinances for the City of West Des Moines, Iowa.

Sanitary sewage is collected in sewers owned by the City of West Des Moines, Iowa, and is treated at the Wastewater Reclamation Authority (WRA) sewage treatment plant. Remittances are due to the City within seventy-five days after the end of each billing period. The West Des Moines Water Works is reimbursed for a portion of the expense of billing and collecting the sanitary sewer service and solid waste charges at rates agreed upon by the City of West Des Moines and West Des Moines Water Works.

## WEST DES MOINES WATER WORKS

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2004 and 2003

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Basis of Accounting

The Proprietary fund types are reported using the accrual basis of accounting. Their revenues are recognized when earned and expenses are recognized when incurred.

The Water Works applies all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedures. In addition, Water Works may also apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

The Water Works has adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and modified by Statement No. 38, *Certain Financial Statement Note Disclosures*, (Statements Nos. 34, 37, and 38) effective January 1, 2003. Adoption of Statements Nos. 34, 37, and 38 had no impact on the net assets of the Water Works. The statements require the Water Works to make certain changes to the format and presentation of its basic financial statements and footnotes in addition to requiring the section for Management's Discussion and Analysis as required supplementary information to precede the financial statements. The 2003 financial statements have been restated to conform with the presentations in accordance with the above standards. Total net assets remained the same, although designations within net assets were revised.

#### NOTE 2 - DEPOSITS AND INVESTMENTS

The West Des Moines Water Works deposits at December 31, 2004 and 2003 were entirely covered by Federal depository insurance or by a multiple financial collateral pool in accordance with Chapter 453 of the Code of Iowa. The West Des Moines Water Works is authorized by statute to invest public funds not currently needed for operating expenses in treasury notes, which obligations are guaranteed by the United States of America, in time deposits or money market savings accounts in depositories approved by the Board of Trustees and the Treasurer of the State of Iowa.

As of December 31, 2004, \$500,000 was invested in a twelve month certificate of deposit at John Deere Community Credit Union. The amount of this deposit in excess of \$100,000 was collateralized with a letter of credit held by the Water Works in the amount of 110% or \$440,000.

## WEST DES MOINES WATER WORKS

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2004 and 2003

#### NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

The West Des Moines Water Works investments are categorized to give an indication of the level of risk assumed by the Water Works at year's end. The West Des Moines Water Works investments are all category 1 which means that the investments are insured or registered or the securities are held by the West Des Moines Water Works or its agent in the name of the West Des Moines Water Works.

The West Des Moines Water Works is a member of the Iowa Public Agency Investment Trust.

Under the terms of the resolutions authorizing the issuance of the water revenue bonds, Series 1998A, 1998B and 2004 Revenue Refunding, all monies generated by the Water Works operations shall be deposited in lawful depositories of the Water Works and shall be continuously held and secured as provided by the laws of the State of Iowa relating to the depositing, securing and holding of public funds, and all such deposits exceeding the maximum amount insured by the Federal Depository Insurance Corporation in any one bank shall be continuously secured by a valid pledge of direct obligations of the United States Government, or may be invested in direct obligations of the United States Government.

As of December 31, 2004 and 2003 all monies of the West Des Moines Water Works were invested in lawful depositories of the Water Works. If the amounts deposited exceed the amounts insured by the Federal Depository Insurance Corporation they are secured by direct obligations of the United States Government. The West Des Moines Water Works also has money invested in the Iowa Public Agency Investment Trust, which is invested in direct obligations of the United States.

The West Des Moines Water Works deposits and investments at December 31, 2004 are as follows:

	Carrying Amount	Market Value
Water Revenue Fund		
Cash	\$ 3,959,335	\$ 3,959,335
Certificates of Deposit	2,900,000	2,900,000
Iowa Public Agency Investment Trust	<u>1,764,301</u>	<u>1,764,301</u>
	<u>8,623,636</u>	<u>8,623,636</u>
Trust Fund		
Cash	49,332	49,332
Iowa Public Agency Investment Trust	<u>140,000</u>	<u>140,000</u>
	<u>189,332</u>	<u>189,332</u>
Bond Sinking Fund and Debt Service Reserve Fund		
Cash	133,023	133,023
Certificates of Deposit	1,000,000	1,000,000
Iowa Public Agency Investment Trust	<u>605,910</u>	<u>605,910</u>
	<u>1,738,933</u>	<u>1,738,933</u>
 TOTAL	 <u>\$ 10,551,901</u>	 <u>\$ 10,551,901</u>

# WEST DES MOINES WATER WORKS

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2004 and 2003

### NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

The West Des Moines Water Works deposits and investments at December 31, 2003 are as follows:

	Carrying Amount	Market Value
Water Revenue Fund		
Cash	\$ 6,888,842	\$ 6,888,842
Iowa Public Agency Investment Trust	<u>2,137,982</u>	<u>2,137,982</u>
	<u>9,026,824</u>	<u>9,026,824</u>
Trust Fund		
Cash	43,753	43,753
Iowa Public Agency Investment Trust	<u>140,000</u>	<u>140,000</u>
	<u>183,753</u>	<u>183,753</u>
Bond Sinking Fund and Debt Service Reserve Fund		
Cash	134,580	134,580
Iowa Public Agency Investment Trust	<u>1,564,410</u>	<u>1,564,410</u>
	<u>1,698,990</u>	<u>1,698,990</u>
 TOTAL	 <u>\$ 10,909,567</u>	 <u>\$ 10,909,567</u>

### NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2004 was as follows:

	Balance 1/01/04	Increases	Decreases	Balance 12/31/04
Capital assets not being depreciated:				
Land	\$ 587,548	\$ 5,000	\$ -	\$ 592,548
Construction in progress	<u>196,997</u>	<u>2,000,484</u>	<u>(55,083)</u>	<u>2,142,398</u>
Total capital assets not being depreciated	<u>784,545</u>	<u>2,005,484</u>	<u>(55,083)</u>	<u>2,734,946</u>
Capital assets being depreciated:				
Buildings and structures	15,742,740	56,383	-	15,799,123
Machinery and equipment	7,780,272	361,932	(12,738)	8,129,466
Mains and hydrants	16,535,985	-	(10,374)	16,525,611
Mains and hydrants - developers	13,871,605	110,475	-	13,982,080
Wells	4,748,318	-	-	4,748,318
Meters in service	2,182,669	157,584	-	2,340,253
DMWW plant capacity 5.0 MG	5,000,000	-	-	5,000,000
DMWW plant capacity 1.323 MG	<u>1,819,125</u>	<u>-</u>	<u>-</u>	<u>1,819,125</u>
Total capital assets being depreciated	<u>67,680,714</u>	<u>686,374</u>	<u>(23,112)</u>	<u>68,343,976</u>

# WEST DES MOINES WATER WORKS

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2004 and 2003

### NOTE 3 - CAPITAL ASSETS - CONTINUED

	<u>Balance 1/01/04</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/04</u>
Less accumulated depreciation for:				
Buildings and structures	\$ 4,392,942	\$ 365,309	\$ -	\$ 4,758,251
Machinery and equipment	2,505,641	489,181	(10,378)	2,984,444
Mains and hydrants	3,030,267	326,483	-	3,356,750
Mains and hydrants - developers	4,683,336	276,743	-	4,960,079
Wells	1,269,396	155,401	-	1,424,797
Meters in service	1,080,662	113,073	-	1,193,735
DMWW plant capacity 5.0 MG	843,750	125,000	-	968,750
DMWW plant capacity 1.323 MG	159,173	45,478	-	204,651
Total accumulated depreciation	<u>17,965,167</u>	<u>1,896,668</u>	<u>(10,378)</u>	<u>19,851,457</u>
Total capital assets being depreciated, net	<u>49,715,547</u>	<u>(1,210,294)</u>	<u>(12,734)</u>	<u>48,492,519</u>
Net capital assets	<u>\$ 50,500,092</u>	<u>\$ 795,190</u>	<u>\$ (67,817)</u>	<u>\$ 51,227,465</u>

Capital assets activity for the year ended December 31, 2003 was as follows:

	<u>Balance 1/01/03</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/03</u>
Capital assets not being depreciated:				
Land	\$ 573,348	\$ 14,200	\$ -	\$ 587,548
Construction in progress	<u>764,400</u>	<u>879,969</u>	<u>(1,447,372)</u>	<u>196,997</u>
Total capital assets not being depreciated	<u>1,337,748</u>	<u>894,169</u>	<u>(1,447,372)</u>	<u>784,545</u>
Capital assets being depreciated:				
Buildings and structures	15,670,698	72,042	-	15,742,740
Machinery and equipment	7,800,345	158,879	(178,952)	7,780,272
Mains and hydrants	15,136,277	1,399,708	-	16,535,985
Mains and hydrants - developers	13,631,180	240,425	-	13,871,605
Wells	4,748,318	-	-	4,748,318
Meters in service	2,062,527	120,142	-	2,182,669
DMWW plant capacity 5.0 MG	5,000,000	-	-	5,000,000
DMWW plant capacity 1.323 MG	<u>1,819,125</u>	<u>-</u>	<u>-</u>	<u>1,819,125</u>
Total capital assets being depreciated	<u>65,868,470</u>	<u>1,991,196</u>	<u>(178,952)</u>	<u>67,680,714</u>

# WEST DES MOINES WATER WORKS

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2004 and 2003

### NOTE 3 - CAPITAL ASSETS - CONTINUED

	<u>Balance 1/01/03</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/03</u>
Less accumulated depreciation for:				
Buildings and structures	\$ 4,028,397	\$ 364,545	\$ -	\$ 4,392,942
Machinery and equipment	2,203,079	477,839	(175,277)	2,505,641
Mains and hydrants	2,713,009	317,258	-	3,030,267
Mains and hydrants - developers	4,408,647	274,689	-	4,683,336
Wells	1,111,610	157,786	-	1,269,396
Meters in service	974,532	106,130	-	1,080,662
DMWW plant capacity 5.0 MG	718,750	125,000	-	843,750
DMWW plant capacity 1.323 MG	113,695	45,478	-	159,173
Total accumulated depreciation	<u>16,271,719</u>	<u>1,868,725</u>	<u>(175,277)</u>	<u>17,965,167</u>
 Total capital assets being depreciated, net	 <u>49,596,751</u>	 <u>122,471</u>	 <u>(3,675)</u>	 <u>49,715,547</u>
 Net capital assets	 <u>\$ 50,934,499</u>	 <u>\$ 1,016,640</u>	 <u>\$(1,451,047)</u>	 <u>\$ 50,500,092</u>

### NOTE 4 - LONG TERM LIABILITIES

The West Des Moines Water Works entered into an agreement with the Des Moines Water Works for the construction of the Louise P. Moon Storage and Pumping Facility (f.k.a. the Westside Storage and Pumping Facility). Per the Water Service Enhancement Master Agreement dated April 12, 1993 (as amended), the West Des Moines Water Works' proportionate share of the Des Moines Water Works Bonds, Series 2001 issued by the Des Moines Water Works is \$3,570,462. The interest rates on the bonds vary from 3.0% to 3.6%.

The West Des Moines Water Works entered into an agreement with the Des Moines Water Works for the purchase of water treatment plant capacity. Per the Water Treatment Plant Purchased Capacity Master Agreement dated July 23, 1996, the West Des Moines Water Works proportionate share of the Des Moines Water Works Bonds, Series 1997 issued by the Des Moines Water Works is \$5,640,000. The interest rates on the bonds vary from 5.25% to 5.40%.

Series 1997 has been replaced by the Refunding Water Revenue Bonds Series 2004B. In order to reduce interest costs, the Des Moines Water Works issued Refunding Water Revenue Bonds Series 2004B effective December 1, 2004 to carry out an advance refunding of callable maturities from their Series 1997 Bonds. The interest rates on the bonds vary from 2.5% to 4.0%. An adjustment for the bond refunding has been reflected in the 2004 financial statements as an addition to liabilities in the amount of \$183,380 for an increase in the bond principal, an addition to other liabilities in the amount of \$24,982 for the bond premium, an addition to other assets for the deferred amount on bond refunding in the amount of \$172,402, and an addition to other assets for the bond issuance costs of \$35,960 on December 1, 2004. As of December 31, 2004 the bond premium, deferred amount on bond refunding, and bond issuance costs are recorded net of 2004 amortization.

## **WEST DES MOINES WATER WORKS**

### **NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2004 and 2003

#### **NOTE 4 - LONG TERM LIABILITIES - CONTINUED**

The West Des Moines Water Works entered into the First Amendment to Acceptance of Purchased Capacity Master Agreement on May 23, 2000. West Des Moines Water Works agreed to pay for additional capacity of 1.323 million gallons per day by assumption of \$1,819,125 of the Des Moines Water Works' outstanding obligation under the 1997 Bond Issue. The interest rates on the bonds vary from 5.25% to 5.40%.

Series 1997 has been replaced by the Refunding Water Revenue Bonds Series 2004B. In order to reduce interest costs, the Des Moines Water Works issued Refunding Water Revenue Bonds Series 2004B effective December 1, 2004 to carry out an advance refunding of callable maturities from their Series 1997 Bonds. The interest rates on the bonds vary from 2.5% to 4.0%. An adjustment for the bond refunding has been reflected in the 2004 financial statements as an addition to liabilities in the amount of \$51,719 for an increase in the bond principal, an addition to other liabilities in the amount of \$7,046 for the bond premium, an addition to other assets for the deferred amount on bond refunding in the amount of \$48,623, and an addition to other assets for the bond issuance costs of \$10,142 on December 1, 2004. As of December 31, 2004 the bond premium, deferred amount on bond refunding, and bond issuance costs are recorded net of 2004 amortization.

The Water Revenue Bonds, Series 1998A, 1998B, and 2004 Revenue Refunding were issued by the West Des Moines Water Works, under resolutions of the Board of Trustees of the Water Works. The following is a summary of the major provisions and restrictions of the resolutions.

Interest is payable on the first day of June and December.

Bonds and interest are payable from the future net earnings of the Water Works and the net earnings of the Water Works are pledged to the payment of the bonds and interest.

The required amount to be deposited in the Sinking Fund in any month shall be an amount equal to 1/6th of the installment of interest coming due on the next interest payment date on the then outstanding Bonds and Parity Bonds plus 1/12th of the installment of principal coming due on such Bonds on the next succeeding principal payment date until the full amount of such installment is on hand. The balance at December 31, 2004 and 2003 is \$132,921 and \$134,580.

The Bond Resolution requires that the Debt Service Reserve Fund be maintained in an amount equal to at least the lesser of maximum annual debt service on the Bonds and the Parity Bonds, or 10% of the stated principal amount of the Bonds and Parity Bonds. The balance at December 31, 2004 and 2003 is at the maximum of \$1,605,910 and \$1,564,410, respectively.

In the Future Capital Outlay Fund, the minimum amount to be deposited in the Fund each month shall be \$30,000; provided, however, that when the amount in said fund shall equal or exceed \$750,000, no further monthly deposits need be made into the Fund except to maintain it at such level. The balance at December 31, 2004 and 2003 is \$2,395,394 and \$2,517,168.

# WEST DES MOINES WATER WORKS

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2004 and 2003

### NOTE 4 - LONG TERM LIABILITIES - CONTINUED

Changes in long-term obligations for the year ended December 31, 2004 are as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Water Revenue Bonds					
Series 1997	\$ 5,000,000	\$ -	\$ (5,000,000)	\$ -	\$ -
Series 1998A	1,580,000	-	(75,000)	1,505,000	75,000
Series 1998B	7,405,000	-	(535,000)	6,870,000	555,000
Series 2004 Refunding	-	5,415,000	-	5,415,000	50,000
Series 2001 (DMWW)	1,107,810	-	(270,941)	836,869	284,305
Series 2004B (DMWW)	5,365,000	183,380	(50,000)	5,498,380	46,553
Series 2004B (DMWW)	<u>1,577,000</u>	<u>51,719</u>	<u>(78,000)</u>	<u>1,550,719</u>	<u>84,829</u>
	<u>\$22,034,810</u>	<u>\$5,650,099</u>	<u>\$ (6,008,941)</u>	<u>\$21,675,968</u>	<u>\$1,095,687</u>

Details of the revenue bonds payable at December 31, 2004 are as follows:

	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding Dec. 31, 2004
Series 1998A WRB	05/01/98	4.7 - 5.25%	12/01/18	\$150,000-\$156,000	\$ 2,000,000	\$ 1,505,000
Series 1998B WRB	05/01/98	4.7 - 5.15%	12/01/14	\$555,000-\$850,000	10,040,000	6,870,000
Series 2004 WRB	04/01/04	2.0 - 3.9%	12/01/16	\$241,000-\$791,000	5,415,000	5,415,000
Series 2001 WRB (DMWW)	10/01/01	3.0 - 3.6%	12/01/07	\$270,000-\$312,000	1,617,929	836,869
Series 2004B WRB (DMWW)	12/01/04	2.5 - 4.0%	12/01/16	\$239,000-\$753,000	5,498,380	5,498,380
Series 2004B WRB (DMWW)	12/01/04	2.5 - 4.0%	12/01/17	\$138,000-\$167,000	1,550,719	<u>1,550,719</u>
Total						<u>\$21,675,968</u>

A summary of the annual revenue bonds principal and interest requirements to maturity is as follows:

Year Ending Dec. 31,	Principal	Interest	Total
2005	\$ 1,095,687	\$ 876,604	\$ 1,972,291
2006	1,143,297	833,750	1,977,047
2007	1,173,928	788,276	1,962,204
2008	1,351,218	740,220	2,091,438
2009	1,917,253	687,720	2,604,973
2010-2014	11,125,412	2,245,523	13,370,935
2015-2018	<u>3,869,173</u>	<u>279,833</u>	<u>4,149,006</u>
Totals	<u>\$21,675,968</u>	<u>\$ 6,451,926</u>	<u>\$28,127,894</u>



# WEST DES MOINES WATER WORKS

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2004 and 2003

### NOTE 4 - LONG TERM LIABILITIES - CONTINUED

Changes in long-term obligations for the year ended December 31, 2003 are as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Water Revenue Bonds					
Series 1997	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000	\$ -
Series 1998A	1,650,000	-	(70,000)	1,580,000	75,000
Series 1998B	7,915,000	-	(510,000)	7,405,000	535,000
Series 2001 (DMWW)	1,371,552	-	(263,742)	1,107,810	270,941
Series 1997 (DMWW)	5,410,000	-	(45,000)	5,365,000	50,000
Series 1997 (DMWW)	<u>1,651,000</u>	<u>-</u>	<u>(74,000)</u>	<u>1,577,000</u>	<u>78,000</u>
	<u>\$22,997,552</u>	<u>\$ -</u>	<u>\$ (962,742)</u>	<u>\$22,034,810</u>	<u>\$1,008,941</u>

Details of the revenue bonds payable at December 31, 2003 are as follows:

	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding Dec. 31, 2003
Series 1997 WRB	09/01/97	4.9 - 5.25%	12/01/16	\$257,000-\$735,000	\$ 5,000,000	\$ 5,000,000
Series 1998A WRB	05/01/98	4.7 - 5.25%	12/01/18	\$150,000-\$156,000	2,000,000	1,580,000
Series 1998B WRB	05/01/98	4.7 - 5.15%	12/01/14	\$555,000-\$850,000	10,040,000	7,405,000
Series 2001 WRB (DMWW)	10/01/01	3.0 - 3.6%	12/01/07	\$270,000-\$312,000	1,617,929	1,107,810
Series 1997 WRB (DMWW)	05/01/97	5.25 - 5.40%	12/01/16	\$176,000-\$736,000	5,640,000	5,365,000
Series 1997 WRB (DMWW)	06/01/00	5.25 - 5.40%	12/01/17	\$138,000-\$167,000	1,819,125	<u>1,577,000</u>
Total						<u>\$22,034,810</u>

A summary of the annual revenue bonds principal and interest requirements to maturity is as follows:

Year Ending Dec. 31,	Principal	Interest	Total
2004	\$ 1,008,941	\$ 1,105,665	\$ 2,114,606
2005	1,041,305	1,062,145	2,103,450
2006	1,088,570	1,016,846	2,105,416
2007	1,117,994	968,653	2,086,647
2008	1,277,000	917,945	2,194,945
2009-2013	10,737,000	3,287,009	14,024,009
2014-2018	<u>5,764,000</u>	<u>676,452</u>	<u>6,440,452</u>
Totals	<u>\$22,034,810</u>	<u>\$ 9,034,715</u>	<u>\$31,069,525</u>

## **WEST DES MOINES WATER WORKS**

### **NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2004 and 2003

#### **NOTE 5 - RESTRICTED ASSETS**

The West Des Moines Water Works' restricted assets are composed of customer deposits, deposits on bond issuance, and collections for sanitary sewer service, solid waste service, and human services donations for the City of West Des Moines.

#### **NOTE 6 - PENSION AND RETIREMENT BENEFIT**

The Water Works contributes to the Iowa Public Employees Retirement System (IPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Water Works is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Water Works contribution to IPERS for the years ended December 31, 2004 and 2003 was \$96,609 and \$87,455, equal to the required contributions for each year.

#### **NOTE 7 - COMPENSATED ABSENCES**

The West Des Moines Water Works' employees accumulate vacation benefits for subsequent use or payable on termination, death or retirement. These accumulations are recorded as liabilities and expenses in the year earned.

The West Des Moines Water Works does not accrue a liability related to the accumulation of sick leave, because its policy states that the amounts are payable only on retirement. Therefore, individual payment is not necessarily probable and is not subject to estimation.

#### **NOTE 8 - DEFERRED COMPENSATION PLAN**

West Des Moines Water Works offers to all of its full-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits the employees to defer a portion of their salary until future years. The deferred compensation is not available for payment to employees until termination, retirement, death, or unforeseeable emergency.

West Des Moines Water Works implemented Governmental Accounting Standards Board Statements No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, which requires assets of a governmental sponsored 457 plan to be held in a trust for the exclusive benefit of participants and their beneficiaries. Internal Revenue Code Section 457(g)(3) as amended, provides that an annuity contract described in Code Section 401(f) shall be treated as a trust.

## **WEST DES MOINES WATER WORKS**

### **NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2004 and 2003

#### **NOTE 8 - DEFERRED COMPENSATION PLAN - CONTINUED**

The 457 plan administrators prepared amendments to the existing contracts to meet the requirements of Code Section 401(f). The amendments also provide that the assets and income of the contracts are for the exclusive benefit of the plan participants or beneficiaries, and would not be subject to the claims of the governmental employer's creditors. Accordingly, these plan assets are not reported in the Water Works' financial statements.

#### **NOTE 9 - JOINT VENTURE**

On May 14, 2001 the Water Works approved the first amendment to intergovernmental agreement for the joint occupation of municipal offices (Chapter 28E of the Code of Iowa) with the City of West Des Moines for joint occupancy in a new City Hall facility. The West Des Moines Water Works' total cost is \$546,761, of which \$546,761 has been paid. Balance on the obligation at December 31, 2004 and 2003 was \$-0- and \$166,761, respectively.

On May 14, 1993 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) with the City of West Des Moines and the Park Board of Commissioners of the West Des Moines Parks and Recreation Department. Under the agreement, they jointly developed a parcel of land (58 acres) owned by the City to provide recreation resources and water resources for residents. The Water Works constructed eight shallow wells and one deep well on the site. The Water Works has paid the City \$450,000 for the use of the land. This agreement is for ninety-nine years and expires on May 14, 2092.

On November 12, 2001 the Water Works entered into an amended and substituted intergovernmental agreement (Chapter 28E of the Code of Iowa) for the purpose of (1) creating the Central Iowa Committee to succeed the Urban Standard Specifications Committee; (2) authorizing the Central Iowa Committee to temporarily license said urban design standards and urban standard specifications to the Center for Transportation Research and Education (CTRE) and to the Iowa Department of Transportation (Iowa DOT); (3) authorizing the Central Iowa Committee to assign said urban design standards and urban standard specifications to a statewide organization to be formed to oversee the continuing development and upgrading thereof; and (4) authorizing the City of Des Moines, as administrator, to assign to CTRE its consultant contract with Snyder and Associates for the provision of professional services. Under the agreement design standards will be developed and updated, and standard specifications for the construction of public improvements will be developed.

On November 20, 2003 the Water Works entered into an Agreement for Shared Use of Water Tower Capacity (this is not a 28E agreement) with the City of Clive, the City of Waukee and the Des Moines Water Works. The estimated project cost of the 2,500,000 gallon water tower is \$3,352,565, of which \$2,576,750 has been paid. The cities of Clive and Waukee pay 40% and 20% respectively, of the total project cost to West Des Moines Water Works. The projected construction completion date is July 1, 2005. This agreement will remain in effect through the useful life of the water tower plus one year.

## WEST DES MOINES WATER WORKS

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2004 and 2003

#### NOTE 10 - RELATED ORGANIZATION

The West Des Moines Water Works uses services of the City of West Des Moines and also provides billing and collection services to the City in connection with the City's Sewer and Solid Waste Enterprise Funds. The following is a summary of the related party transactions for the year ended December 31, 2004 and 2003:

	Amount 2004	Amount 2003
Received from the City of West Des Moines		
Programming for donations	\$ -	\$ 1,250
Miscellaneous	835	331
Iowa One Call	4,152	4,374
Sanitary sewer service collection fees	41,590	40,475
Solid waste service collection fees	39,991	39,319
Irrigation water - 2002 usage	-	4,755
Payments to the City of West Des Moines		
Sanitary sewer service	\$4,970,704	\$4,968,854
Solid waste service	1,327,110	1,254,034
Health and dental insurance premiums	228,981	221,714
General insurance premiums	108,224	92,646
Gasoline	17,257	14,098
Utilities	14,065	10,863
Joint occupancy	166,761	150,000
Miscellaneous	2,030	3,818
Donations collected	6,777	4,232
Janitorial services	7,741	6,752
Information services	35,000	30,000
West Des Moines Magazine	3,000	3,000
Phone system upgrade	9,786	-
Office partitions/shelves	9,410	-
Recruitment expenses	5,014	-
Computers/Network server	5,310	11,785
Wellfield site restoration	5,000	-

Amounts payable to the City of West Des Moines at December 31, 2004 for sanitary sewer charges, solid waste charges and donations to human services totaled \$1,226,581, \$335,045 and \$881 respectively and for 2003, \$1,178,489, \$330,457 and \$1,100 respectively.

## **WEST DES MOINES WATER WORKS**

### **NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2004 and 2003

#### **NOTE 11 - RISK MANAGEMENT**

The Water Works, through the City of West Des Moines, is a member of the Iowa Communities Assurance Pool (Pool), as allowed by Chapter 384.12 of the Code of Iowa. The Pool is a local government risk-sharing pool whose 503 members include various governmental entities throughout the state of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Water Works' property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The Water Works' annual contributions to the Pool for the year ended December 31, 2004 were \$39,553.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Water Works does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at December 31, 2004, no liability has been recorded in the Water Works' financial statements. As of June 30, 2004 settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

## WEST DES MOINES WATER WORKS

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2004 and 2003

#### NOTE 11 - RISK MANAGEMENT - CONTINUED

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. After the sixth year, the member is refunded 100% of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Water Works also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation, and employee blanket bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### NOTE 12 - TOWER LEASE AGREEMENTS

The Water Works has entered into agreements with T-Mobile USA, Inc., United States Cellular Wireless Communications, Sprint Spectrum, L.P., Capital Communications Company, Inc., Nextel WIP Lease Corporation, Telecorp Realty, L.L.C., and Verizon Wireless for the rental of space on two elevated water storage facilities located in the City of West Des Moines. The agreements are for a period of five years. The agreement with Sprint Spectrum L.P. has a renewal option of four additional five year terms and the other agreements have the renewal option of five additional five year terms.

Future minimum rents under these leases at December 31, 2004 are as follows:

<u>Year</u>	<u>Amount</u>
2005	\$111,578
2006	115,781
2007	119,077
2008	124,845
2009	125,886

Total rental income for 2004 was \$106,475.

#### NOTE 13 - DEFEASANCE OF DEBT

In current and prior years, certain outstanding bonds were defeased by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the financial statements. At December 31, 2004, the remaining balance of previously issued bonds outstanding are considered defeased.

<u>Obligation</u>	<u>Date</u>	<u>Defeased Balance</u>
1995 Water Revenue Bonds	1-05-95	\$6,670,000
1997 Water Revenue Bonds	9-01-97	5,000,000

## **WEST DES MOINES WATER WORKS**

### **NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2004 and 2003

#### **NOTE 13 - DEFEASANCE OF DEBT - CONTINUED**

The 1995 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$697,598. This difference was charged to operations through the year 2002 using the effective-interest method.

The 1997 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt for West Des Moines Water Works of \$256,962 and for Des Moines Water Works of \$221,025. This difference is being charged to operations through the year 2005 using the effective interest method. The remaining balance as of December 31, 2004 was \$154,177 and \$202,606 respectively.

#### **NOTE 14 - UNION AGREEMENT**

The West Des Moines Water Works entered into an agreement as of January 1, 2001 with the American Federation of State, County and Municipal Employees Council 61 and Local 3673-15 (AFL-CIO). This agreement remained in full force and effect through December 31, 2004.

#### **NOTE 15 - COMMITMENTS**

The West Des Moines Water Works has entered into construction contracts totaling \$3,404,952 at December 31, 2004 and \$3,352,565 at December 31, 2003 for various capital projects. There were \$653,728 and \$3,068,633 of uncompleted contracts at December 31, 2004 and 2003 respectively.

On August 30, 2004 West Des Moines Water Works wrote a binding letter of intent to purchase two million gallons per day additional capacity in Des Moines Water Works' system at a rate of \$1.90 per gallon. The time frame for this purchase has not yet been established.

On September 27, 2004 the U.S. Environmental Protection Agency (EPA) awarded the Water Works a grant for the operation of the Groundwater Remedial Action at the Railroad Avenue Superfund Site. Activities include the cleanup of contaminated groundwater and monitoring and administration of the aerators. The project period is from January 1, 2005 through December 31, 2011. The total project cost is projected to be approximately \$513,000. The EPA has approved partial funding up to and not exceeding \$300,000 at this time.

#### **NOTE 16 - CONTINGENCY**

##### Pending

Plaintiffs claim that they were required to reconstruct a portion of their development due to negligence in the manner in which Water Works provided information to them on water pressure. The Water Works is vigorously defending the action and has asserted several affirmative defenses that would absolve it from liability. If an award is made it is anticipated that all but the deductible would be covered by the Water Works' insurance carrier.

## REQUIRED SUPPLEMENTARY INFORMATION



## WEST DES MOINES WATER WORKS

### BUDGETARY COMPARISON OF REVENUES, EXPENSES AND CHANGES IN BALANCES - ACTUAL TO BUDGET

Year ended December 31, 2004

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
TOTAL REVENUES	\$ 8,583,008	\$ 8,567,800	\$ 15,208
TOTAL EXPENSES	<u>7,780,019</u>	<u>7,965,539</u>	<u>185,520</u>
NET	802,989	602,261	<u>\$ 200,728</u>
BALANCE BEGINNING OF YEAR	<u>39,186,527</u>	<u>36,037,084</u>	
BALANCE END OF YEAR	<u>\$ 39,989,516</u>	<u>\$ 36,639,345</u>	

See notes to financial statements.

## **WEST DES MOINES WATER WORKS**

### **NOTE TO BUDGETARY REPORTING**

December 31, 2004

In accordance with the Code of Iowa, the Water Works' Board of Trustees adopts a budget on the accrual basis consistent with U.S. generally accepted accounting principles following required public notice and hearing. The formal and legal level of control is at the total expense level. The Board of Trustees reviews the proposed budget and grants final approval. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

In 2004 there were no budget amendments and disbursements did not exceed the amount budgeted.

## OTHER SUPPLEMENTARY INFORMATION

## WEST DES MOINES WATER WORKS

### SCHEDULE OF BOND MATURITIES

Year ended December 31, 2004

Proportionate share of the Series 2001 Water Revenue Refunding Bonds issued by the Des Moines Water Works and payable to the Des Moines Water Works per Water Service Enhancement Master Agreement for the Westside Storage Project dated April 12, 1993 (as amended) (see Note 4).

The following is a summary of the debt obligations to the Des Moines Water Works:

<u>Maturing December 1</u>	<u>Des Moines Water Works</u>	
	<u>Series 2001 Water Revenue Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 284,305	\$ 28,265
2006	291,570	19,309
2007	260,994	9,396
	<u>\$ 836,869</u>	<u>\$ 56,970</u>

## WEST DES MOINES WATER WORKS

### SCHEDULE OF BOND MATURITIES - CONTINUED

Year ended December 31, 2004

Proportionate share of Series 2004B Water Revenue Refunding Bonds issued by the Des Moines Water Works and payable to the Des Moines Water Works per Water Treatment Plant Purchased Capacity Master Agreement dated July 23, 1996 (See Note 4).

The following is a summary of the debt obligations to the Des Moines Water Works:

<u>Maturing December 1</u>	<u>Des Moines Water Works</u>	
	<u>Series 2004B Water Revenue Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 46,553	\$ 192,663
2006	51,725	191,499
2007	82,760	190,206
2008	475,871	187,723
2009	501,734	173,447
2010	527,596	158,395
2011	553,459	142,568
2012	584,494	125,964
2013	615,529	106,968
2014	651,736	82,346
2015	682,771	56,277
2016	724,152	28,966
	<u>\$ 5,498,380</u>	<u>\$1,637,022</u>

## WEST DES MOINES WATER WORKS

### SCHEDULE OF BOND MATURITIES - CONTINUED

Year ended December 31, 2004

Proportionate share of Series 2004B Water Revenue Refunding Bonds issued by the Des Moines Water Works and payable to the Des Moines Water Works per First Amendment to Acceptance of Purchased Capacity Master Agreement dated May 23, 2000 (See Note 4).

The following is a summary of the debt obligations to the Des Moines Water Works:

<u>Maturing December 1</u>	<u>Des Moines Water Works</u>	
	<u>Series 2004B Water Revenue Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 84,829	\$ 53,197
2006	90,002	51,076
2007	95,174	48,826
2008	100,347	45,971
2009	105,519	42,960
2010	110,692	39,795
2011	116,899	36,474
2012	123,106	32,967
2013	130,347	28,966
2014	136,554	23,752
2015	144,830	18,290
2016	152,072	12,497
2017	160,348	6,413
	<u>\$ 1,550,719</u>	<u>\$ 441,184</u>

# WEST DES MOINES WATER WORKS

## SCHEDULE OF BOND MATURITIES - CONTINUED

Year ended December 31, 2004

Series 1998A Water Revenue Bonds: Series 1998A Water Revenue Bonds were issued under Resolutions adopted by the Board of Trustees.

The proceeds of the Bonds were used to finance certain capital improvements to the System (the "Project") and to pay costs of issuing the Series 1998A Bonds. The Project included: (i) upgrades to the Water Works' water treatment plant and water storage facilities and (ii) construction of a new pumping station. The Refunding Bonds were issued to refund all or a portion of the Water Works' outstanding Water Revenue Bonds Series 1995 (the "Refunded Bonds"). The original date of issue was May 1, 1998 (See Note 4).

<u>Maturing December 1</u>	<u>West Des Moines Water Works</u>	
	<u>Series 1998A Water Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 75,000	\$ 75,398
2006	80,000	71,872
2007	85,000	68,112
2008	90,000	64,117
2009	95,000	59,887
2010	95,000	55,375
2011	100,000	50,767
2012	110,000	45,767
2013	115,000	40,268
2014	120,000	34,402
2015	125,000	28,223
2016	130,000	21,723
2017	140,000	14,962
2018	145,000	7,612
	<u>\$ 1,505,000</u>	<u>\$ 638,485</u>

## WEST DES MOINES WATER WORKS

### SCHEDULE OF BOND MATURITIES - CONTINUED

Year ended December 31, 2004

Series 1998B Water Revenue Bonds: Series 1998B Water Revenue Bonds were issued under Resolutions adopted by the Board of Trustees.

The proceeds of the Bonds were used to finance certain capital improvements to the System (the "Project") and to pay costs of issuing the Series 1998B Bonds. The Project included: (i) upgrades to the Water Works' water treatment plant and water storage facilities and (ii) construction of a new pumping station. The Refunding Bonds were issued to refund all or a portion of the Water Works' outstanding Water Revenue Bonds Series 1995 (the "Refunded Bonds"). The original date of issue was May 1, 1998 (See Note 4).

<u>Maturing December 1</u>	<u>West Des Moines Water Works</u>	
	<u>Series 1998B Water Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 555,000	\$ 335,793
2006	580,000	309,707
2007	600,000	282,448
2008	630,000	254,247
2009	660,000	224,638
2010	695,000	193,287
2011	730,000	159,580
2012	765,000	123,080
2013	805,000	84,830
2014	850,000	43,775
	<u>\$ 6,870,000</u>	<u>\$ 2,011,385</u>



## WEST DES MOINES WATER WORKS

### SCHEDULE OF BOND MATURITIES - CONTINUED

Year ended December 31, 2004

Series 2004 Water Revenue Refunding Bonds: Series 2004 Water Revenue Refunding Bonds were issued under Resolutions adopted by the Board of Trustees.

The Refunding Bonds were issued to refund all or a portion of the Water Works' outstanding Water Revenue Bonds Series 1997 (the "Refunded Bonds"). The original date of issue was April 1, 2004.

The proceeds of the original Bonds were used to finance certain capital improvements to the System (the "Project") and to pay costs of issuing the Bonds. The Project included: (i) the construction and/or purchase of water supply and distribution facilities and the land for such facilities, (ii) the construction of additional water treatment capacity, (iii) the construction facilities for handling water treatment plant residues, (iv) improvements to the electrical distribution system of the water treatment plant, (v) improvements to the electronic control system of the Water Works and (vi) construction of new and replacement water mains (See Note 4).

The following is a summary of the debt obligations of the West Des Moines Water Works:

<u>Maturing December 1</u>	<u>West Des Moines Water Works</u>	
	<u>Series 2004 Water Revenue Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 50,000	\$ 191,288
2006	50,000	190,287
2007	50,000	189,288
2008	55,000	188,162
2009	555,000	186,788
2010	610,000	170,137
2011	605,000	150,008
2012	645,000	128,832
2013	640,000	105,290
2014	690,000	81,930
2015	735,000	56,400
2016	730,000	28,470
	<u>\$ 5,415,000</u>	<u>\$ 1,666,880</u>

STATISTICAL SECTION (UNAUDITED)

# WEST DES MOINES WATER WORKS

## SCHEDULE OF WATER USAGE BY MONTH

Year ended December 31, 2004

(UNAUDITED)

<u>Month</u>	<u>Accounts with Water Service</u>	<u>Dollar Amount of Water Billings</u>	<u>Gallons of Water Billed</u>	<u>Gallons of Water Pumped</u>
January	18,331	\$ 457,697	150,094,290	149,537,000
February	18,331	339,778	111,565,800	139,448,000
March	18,332	378,566	124,281,166	149,023,000
April	18,314	465,258	152,239,100	167,937,000
May	18,394	472,491	154,339,461	205,502,000
June	18,826	505,404	165,727,425	216,032,000
July	18,652	746,022	249,795,090	254,922,000
August	18,718	687,285	225,821,151	253,837,000
September	18,764	796,821	262,668,870	249,028,000
October	18,827	553,811	184,471,661	202,570,000
November	18,885	387,742	130,568,430	152,017,000
December	<u>18,996</u>	<u>475,267</u>	<u>156,882,494</u>	<u>152,575,000</u>
	<u>223,370</u>	\$ 6,266,142	2,068,454,938	2,292,428,000
ADD:				
Metered water for City (\$0.00)		-	14,519,000	-
Other non-billed water		<u>-</u>	<u>25,223,197</u>	<u>-</u>
Totals		<u>\$ 6,266,142</u>	<u>2,108,197,135</u>	<u>2,292,428,000</u>



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Trustees  
West Des Moines Water Works

We have audited the financial statements of West Des Moines Water Works as of and for the year ended December 31, 2004, and have issued our report thereon dated February 9, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether West Des Moines Water Works' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the West Des Moines Water Works' operations for the year ended December 31, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Water Works. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those matters.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Des Moines Water Works' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relations to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the West Des Moines Water Works and other parties to whom the West Des Moines Water Works may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the West Des Moines Water Works during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Martens + Company, CPA. P.C.*

West Des Moines, Iowa  
February 9, 2005

## WEST DES MOINES WATER WORKS

### SCHEDULE OF FINDINGS

Year ended December 31, 2004

#### PART I: OTHER FINDINGS RELATED TO STATUTORY REPORTING:

- (1) Official Depositories - A resolution naming official depositories has been approved by the Water Works. The maximum deposit amounts stated in the resolution were not exceeded during the year ended December 31, 2004.
- (2) Certified Budget - Disbursements during the year ended December 31, 2004, did not exceed the amount budgeted as certified in accordance with Chapter 384.18 of the Code of Iowa.
- (3) Questionable Expenditures - We noted no expenditures that we believe did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (4) Travel Expenses - No disbursements of West Des Moines Water Works' money for travel expenses of spouses of West Des Moines Water Works' officials or employees were noted.
- (5) Business Transactions - No business transactions between the West Des Moines Water Works and West Des Moines Water Works' officials or employees were noted.
- (6) Bond Coverage - Surety Bond coverage of West Des Moines Water Works' officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure coverage is adequate for current operations.
- (7) Board of Trustees Minutes - No transactions were found that we believe should have been approved in the trustee minutes but were not.
- (8) Revenue Bonds - The Water Works has established the sinking and reserve accounts as required by the water revenue bond resolutions.
- (9) Deposits and Investments - During the year ended December 31, 2004, the investments resulted in interest earned of \$132,424. The West Des Moines Water Works has adopted a written investment policy as required by Chapter 128.10B of the Code of Iowa.